

ANYONE Can Invest



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Disclaimer



∞ The views expressed in this presentation are solely the presenter's and are not binding upon any state agency. This presentation does not necessarily reflect the views of the Department of Financial Institutions or any official within the Executive Branch.

Invest in Knowledge



- ❧ Employees today often must provide for their own retirement
- ❧ Financial markets can be complex
 - ❧ Choice: Invest on own or hire someone to help?
- ❧ There are now more choices to make in investing
- ❧ Protect yourself from fraud

Five Keys to Success



- ∞ Pay yourself first (make investing a habit)
- ∞ Set exciting goals
- ∞ Don't take unnecessary risks
- ∞ Keep time on your side (time value of money)
- ∞ Diversify

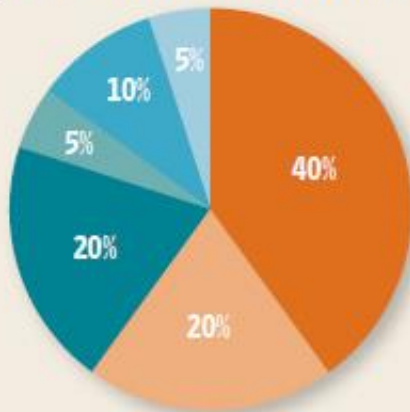
Diversify



DISCLAIMER: This is only an example. Your investment professional can help determine the best suitability for you.

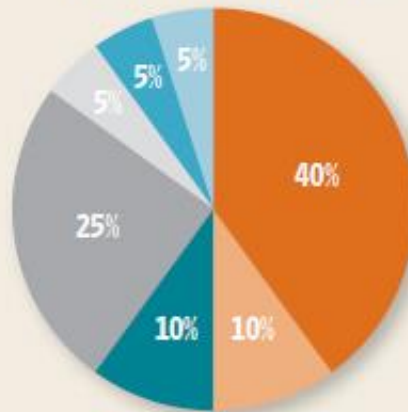
GUIDELINES FOR YOUR RETIREMENT SAVINGS AT EVERY STAGE

If you're more than 10 years from retirement



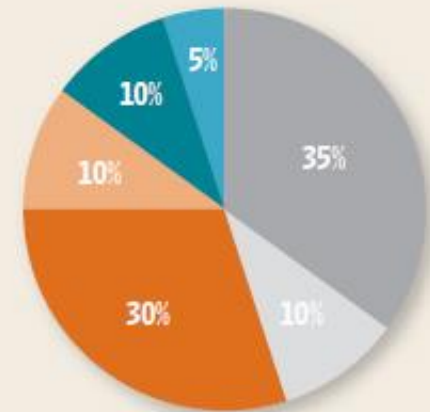
Large-company U.S. stocks
Small-company U.S. stocks

If you're 10 years or less from retirement



Developed-markets foreign stocks
Emerging-markets foreign stocks

If you're in retirement



Real estate stocks
Natural-resources stocks
Domestic bonds
Cash and equivalents

Time Horizon



- ∞ Is your emergency fund in place?
 - ∞ Recommended: 3 to 6 months of living expenses
- ∞ Do you need income or appreciation?
- ∞ When do you need your money? (Time horizon)

Risk Tolerance



- ∞ Higher return = High risk
- ∞ Low risk = Lower return
- ∞ NO EXCEPTIONS!
- ∞ Diversify
 - ∞ Strive for balance between risk and return

Types of Investments



- ❧ Money Market Accounts
- ❧ Bonds
- ❧ Stocks
- ❧ Mutual Funds
- ❧ Retirement Investments
- ❧ Variable Annuities
- ❧ Crowdfunding
- ❧ Options
- ❧ Futures

Money Market Accounts



- ∞ Short-term, high-quality loans
- ∞ Low risk, low return
- ∞ Provide income, no capital gains
- ∞ Risk factors

Bonds



- ❧ Loan to government or company
- ❧ Types:
 - ❧ Government, corporate or municipal bonds
- ❧ Moderate risk, moderate return
- ❧ Provide mainly income, some capital gain
- ❧ Risk factors

- ❧ Also: savings bonds and treasury securities

Stocks



- ∞ Shares of ownership in a company
- ∞ High risk, high return
- ∞ Mainly capital gains, some income
- ∞ Risk factors

Mutual Funds



- ❧ Ownership in an investment pool
- ❧ Types:
 - ❧ Stock funds, bond funds, balanced funds
- ❧ Moderate-to-high risk and return
- ❧ Income and/or capital
- ❧ Factors to consider

Retirement Investments



∞ Types:

- ∞ 401(k), 403(b), traditional IRA, Roth IRA

- ∞ Risk/return varies based on investments

∞ Age requirements

- ∞ Withdrawal can be made penalty-free at age 59 1/2,
BUT there are exceptions

- ∞ Ask your investment professional or check with the
account holder to find out specifics for your account

∞ Risk factors

Variable Annuities



- ❧ Insurance contract
 - ❧ Risk and return varies by product
 - ❧ Factors to consider
 - ❧ Fees and penalties
 - ❧ Variable is only ONE type of annuity, but it is the only one considered a “security” in Kentucky
 - ❧ Indexed Annuities
 - ❧ Fixed Annuities
- ▶ Are both considered insurance products
Regulated by KY Dept. of Insurance

Crowdfunding



- ❧ Online money-raising strategy for small business/start-ups
- ❧ Types:
 - ❧ Donations – no expectation of gain/return
 - ❧ Investment – expectation of return (security)
- ❧ High risk; return may vary
- ❧ Provide mainly income, possibly capital gains
- ❧ Risk factors



Other Investments



- œ Regulated by DFI:
 - œ Structured Products
 - œ Exchange Traded Funds (ETFs) and Leveraged ETFs
 - œ Promissory Notes
- œ Not regulated by DFI:
 - œ Options
 - œ Futures

Other Considerations



- ❧ Operating history (at least 3- to 5-year track record)
- ❧ Performance tracking
- ❧ Taxes

Getting Help



- ❧ Investment professionals:
 - ❧ Broker-dealer agent
 - ❧ Registered investment adviser
 - ❧ Financial planner
 - ❧ Other professionals
- ❧ So what's the difference?

Broker-Dealer Agent



- ❧ Makes trade or transaction on behalf of customer
- ❧ Work on commission
- ❧ Two types:
 - ❧ Full-service – fees range from 1.5-3%
 - ❧ Discount – paid salary or salary + commission
- ❧ Must be licensed by DFI

- ❧ Online brokers generally charge a flat transaction cost rather than commission

Investment Adviser Rep.



- ∞ Provides advice about securities
- ∞ Usually paid through fees – around 1.5-2.5%
- ∞ Must be licensed by DFI
- ∞ IAs owe a greater legal duty to look out for their client's best interest than BDs

Financial Planner



- ❧ Providers who develop and may implement comprehensive financial plans based on long-term goals
- ❧ Three types:
 - ❧ Fee-only – charge hourly or “flat” rate, no commissions
 - ❧ Fee/commission – may charge either
 - ❧ Commission – no fee, only product commissions
- ❧ Certified Financial Planner = met specific requirements
- ❧ May also be an IA or BD – if giving investment advice, should be licensed by DFI

Other Professionals



Others include:

- Certified fund specialist
- Insurance agent
- Certified public accountant

May also be an IA or BD – if giving investment advice, should be licensed by DFI

Be wary of some professional designations

- Check it out at <http://apps.finra.org/DataDirectory/1/prodesignations.aspx>

Choosing a Professional



- ❧ Interview candidates
 - ❧ Meet in person
 - ❧ Evaluate qualifications
 - ❧ Determine how he/she will be paid
- ❧ Conduct background checks
 - ❧ Check license and complaint history with DFI
 - ❧ And/or check with FINRA or the SEC
- ❧ Ask for references

Account Choices



- ∞ Type of account (investment adviser)
 - ∞ Discretionary – adviser can make transactions without prior notification or approval
 - ∞ Non-discretionary – you remain in control

More Account Choices



- ❧ Payment for purchase
 - ❧ Pay full cost within 3 days of purchase order
 - ❧ Finance with money borrowed from the firm (margin account)
- ❧ Settling disputes
 - ❧ Arbitration – Mandatory for BDs; Cannot be mandatory for IAs
 - ❧ Litigation - IAs
 - ❧ Mediation - IAs
- ❧ Make sure you understand what you're signing

Be an Active Investor



- ❧ Understand your adviser's recommendation
 - ❧ Ask questions
 - ❧ Research the investment
- ❧ Know what you're paying – costs and compensation
- ❧ Keep accurate track of your account
 - ❧ Review statements and confirmations
 - ❧ Require explanations
 - ❧ Save Records
- ❧ Stay alert to investment fraud's warning signs

INVESTigate



- ❧ Investigate before you invest!
- ❧ Resources:
 - ❧ Financial publications
 - ❧ Broker/adviser reports or recommendations
 - ❧ Internet (but validate the source)
 - ❧ Company annual reports and prospectus
 - ❧ Securities regulator
- ❧ Contact DFI to check out the investment and the person selling it – 800-223-2579

Check It Out



- ❧ KY Department of Financial Institutions (DFI):
 - ❧ <http://kfi.ky.gov>
 - ❧ 800-223-2579
- ❧ Other investing resources:
 - ❧ FINRA BrokerCheck www.finra.org/brokercheck
 - ❧ SEC Investment adviser www.adviserinfo.sec.gov
 - ❧ KY Dept. of Insurance <http://insurance.ky.gov>
 - ❧ SEC's EDGAR Database www.sec.gov/edgar.shtml
- ❧ Fraud prevention tips:
 - ❧ <http://kfi.ky.gov/public/Pages/invest.aspx>
 - ❧ www.nasaa.org

Questions?



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